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Message Text

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47
ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 EB-07 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 IO-13 H-02 L-03 PRS-01 PA-01 /107 W
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P 301642Z JUL 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 0810
INFO AMEMBASSY MANILA PRIORITY

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FOR USADB MANILA

E.O. 11652: N/A
TAGS: EAID, EFIN
SUBJECT: INCREASE IN ADB LENDING RATE

REF: STATE 188415

1. SUMMARY. U.S. VIEWS ON ADB MANAGEMENT'S PROPOSALS DISCUSSED JULY 30 WITH ECONOMIC COOPERATION MINISTRY OFFICIALS IN DESK RESPONSIBLE FOR REGIONAL BANK AFFAIRS. THESE OFFICIALS NOTED THAT INSTRUCTIONS HAVE ALREADY BEEN SENT TO FRG DIRECTOR, AND INDICATED THAT IT WOULD BE DIFFICULT AT THIS POINT TO REVISE THESE INSTRUCTIONS. MOST OFFICIALS RESPONSIBLE FOR THESE MATTERS ARE ON VACATION, AND FRG WOULD ALSO WANT TO OBTAIN CONCURRENCE FROM UK AND AUSTRIA (WHICH ARE IN FRG VOTING GROUP). FRG WILL SUPPORT INTRODUCTION OF 9.15 PERCENT LENDING RATE. AT EMBOFF'S URGING, U.S. VIEWS ON AUTOMATIC LINKING OF ADB LENDING RATE WITH IBRD RATE WILL BE REVIEWED AT POLICY LEVEL. END SUMMARY.

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2. 9.15 PERCENT LENDING RATE. FRG DIRECTOR HAS BEEN

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INSTRUCTED TO GIVE FUIL SUPPORT TO THIS ADB MANAGEMENT PROPOSAL. (SUGGESTION OF ACCEPTING 9.10 PERCENT RATE IN RETURN FOR LDC ACCEPTANCE OF 0.75 PERCENT COMMITMENT CHARGE HAD BEEN CONSIDERED BUT REJECTED.)

3. PREMIUM RATE. FRG POLICY FOR SOME TIME HAS BEEN TO ABOLISH SUCH SPECIAL RATES, NOT ONLY IN ADB BUT IN OTHER IFI'S. WHILE FRG IS WILLING TO SUPPORT DIFFERENTIAL TREATMENT CONCERNING GRACE PERIODS AND DURATION OF LOANS, IT WISHES TO KEEP TO ITS GOAL OF OBTAINING A SINGLE LENDING RATE APPLICABLE TO ALL MEMBERS. FRG DIRECTOR HAS THEREFORE BEEN INSTRUCTED TO SUPPORT PROPOSAL OF AUSTRALIAN DIRECTOR.

4. COMMITMENT CHARGE. FRG DIRECTOR HAS BEEN INSTRUCTED TO SUPPORT PROPOSED INCREASE TO .45 PERCENT. ECONCOOP MIN OFFICIALS INDICATED THEIR SUPPORT IN PRINCIPLE FOR RAISING THIS FEE TO .75 PERCENT, AND NOTED THAT ADB STAFF HAS ALREADY PROPOSED SUCH A RAISE FOR ALL RECIPIENT COUNTRIES WITH A PER CAPITA INCOME OVER $850. THEY THOUGHT THAT IF COMMITMENT CHARGE ISSUE COULD BE KEPT OPEN, IT MIGHT WELL BE POSSIBLE TO OBTAIN SUFFICIENT SUPPORT IN THE FALL TO MOVE TO .75 PERCENT CHARGE.

5. RETROACTIVITY OF NEW LENDING RATE. ECONCOOPMIN OFFICIALS INTERPOSED NO OBJECTIONS TO U.S. PROPOSAL, AND INDICATED THAT FRG DIRECTOR HAS SUFFICIENT FIEXIBILITY TO SUPPORT A RECOMMENDATION ALONG THESE LINES.

6. 10 BASIS POINT RULE. ECONCOOPMIN OFFICIALS INDICATED THAT THEY WOULD LIKE TO HAVE MORE EXPERIENCE WITH NEW SYSTEM OF LINKING IBRD RATES TO BORROWING COSTS BEFORE AGREEING TO AUTOMATIC ADJUSTMENTS IN ADB RATES. THEY EMPHASIZED THAT THEIR UNEASINESS WITH U.S. PROPOSAL CENTERS ON THE AUTOMATICITY ASPECT; THE FRG COULD BE FLEXIBLE ON ISSUE OF WHETHER 5 OR 10 BASIS POINTS WERE CHOSEN. EMBOFF STRESSED IMPORTANCE OF THIS PROPOSAL AND KEY ROLE THAT FRG SUPPORT COULD PLAY IN

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MANILA MEETING. AT EMBOFF'S URGING, ECONCOOPMIN WILL REVIEW U.S. PROPOSAL AT POLICY LEVEL WITH VIEW OF SEEING WHETHER IT COULD SUPPORT US ON AUGUST 5. HILLENBRAND

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